



*Presentation on Draft Bill 2015-TQz-40
to Joint Legislative Administrative
Procedure Oversight Committee*

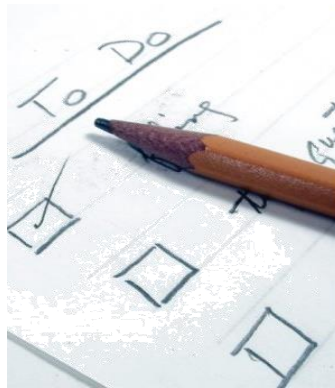
Office of State Budget and Management

April 5, 2016



Agenda

- I. Use of “aggregate financial impact”
- II. Stats on fiscal notes with aggregate financial impact over \$100M and over \$10M in 5-year period
- III. Types of rule packages potentially affected by draft bill



Draft Bill – Section 1

SECTION 1. Chapter 150B of the General Statutes is amended by adding a new section to read:

"§ 150B-19.4. Requirements on rules with substantial financial impacts.

(a) Prohibition. – Notwithstanding any authority given to an agency to adopt a rule, an agency may not adopt a permanent rule or set of rules with a **projected aggregate financial impact** on all persons affected equal to or greater than one hundred million dollars (\$100,000,000) during any five-year period. The agency's determination of the projected aggregate financial impact of a permanent rule or set of rules shall comply with the requirements of G.S. 150B-21.4(b1).

(b) Limitation. – If an agency determines that a proposed permanent rule or set of rules will have a **projected aggregate financial impact** on all persons affected equal to or greater than ten million dollars (\$10,000,000) during any five-year period, the adoption of the permanent rule or set of rules must comply with the following:

(1) If the agency is a board, a commission, a council, or other similar unit of government, a certification that the adoption of the rule or set of rules must be approved by at least sixty percent (60%) of those voting on the rule or set of rules.

(2) For an agency headed by a member of the Council of State, the adoption of the rule or set of rules must be accompanied by a certification signed by the member of the Council of State, indicating the member's review and support of the rule or set of rules.

(3) For all other agencies, the adoption of the rule or set of rules must be accompanied by a certification signed by the Governor indicating the Governor's review and support of the rule or set of rules. [...]"



Aggregate Financial Impact

- **Aggregate financial impact** interpreted as costs **plus** benefits to all parties affected
 - Not the net impact, nor total costs
- Long standing interpretation
 - Used by OSBM since at least 2005
- Best practice
- Provides transparency on incremental impact of rule change
- Encourages agencies to provide complete picture of regulatory impact



Examples

- Examples of rules considered to have substantial economic impact:
 - Rule package creates \$900,000 in estimated benefits and \$100,000 in costs in a 12-month period
(\$900,000 benefits + \$100,000 costs = \$1M)
 - Rule package creates \$100,000 in estimated benefits and \$900,000 in costs
(\$100,000 + \$900,000 = \$1M)
 - Rule package that results in a transfer of \$500,000 from one group to another group, e.g. a fee increase
(\$500,000 in costs to one group + \$500,000 in benefits to the other = \$1M)

Fiscal Notes Approved by OSBM that Meeting Draft Bill Criteria

July 1, 2011 – Present



Fiscal Year	Based on Aggregate Impact		Based on Total Costs	
	Prohibited	Limited	Prohibited	Limited
FY 2012	0	4	0	0
FY 2013	1	4	0	2
FY 2014	3	5	2	3
FY 2015	3	4	2	2
FY 2016	1	6	0	6
Total Packages*	8	23	4	13
Average Packages/ Year	2.7	7.7	1.3	4.3

* Some rule packages included above may not have gone into effect.



Types of Rule Potentially Affected

- Rule packages resulting in large estimated costs
- Rules with high estimated benefits
 - Benefit cost ratio ≥ 1
 - Deregulatory actions
- Rule packages that contain large transfers
- Federally required rules where state funds may be impacted if rule change were not adopted
- Packages impacting a large number of persons or permits, where per unit cost is relatively small
- Packages containing a large number of rules
 - Codification of agency policies
 - Large readoption packages





**Thank you for your
attention!**

